

**SAUGATUCK-DOUGLAS DISTRICT LIBRARY**

**AUDIT REPORT**

**YEAR ENDED JUNE 30, 2005**

**DELONG & BROWER P.C.**

CERTIFIED PUBLIC ACCOUNTANTS ■ FINANCIAL CONSULTANTS

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# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>SAUGATUCK-DOUGLAS DISTRICT LIBRARY</b>	County <b>ALLEGAN</b>
Audit Date <b>6/30/05</b>	Opinion Date <b>11/4/05</b>	Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

RECEIVED  
DEPT. OF TREASURY

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

NOV 23 2005

LOCAL AUDIT & FINANCE DIV.

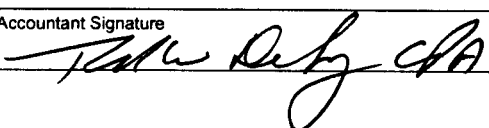
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>DELONG &amp; BROWER, PC</b>			
Street Address <b>238 HOOVER BLVD, SUITE 10</b>		City <b>HOLLAND</b>	State <b>MI</b>
Accountant Signature 		ZIP <b>49423</b>	Date <b>11-21-05</b>

## TABLE OF CONTENTS

<b>INDEPENDENT AUDITOR'S REPORT</b> .....	Page 1
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b> .....	Page 2
<b>FINANCIAL STATEMENTS</b>	
Government-wide Financial Statements:	
Statement of Net Assets .....	Page 4
Statement of Activities .....	Page 5
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet .....	Page 6
Reconciliation of Balance Sheet of Governmental Funds to Net Assets .....	Page 7
Statement of Revenue, Expenditures, and Changes in Fund Balances .....	Page 8
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	Page 9
Notes to Financial Statements .....	Page 10
<b>REQUIRED SUPPLEMENTAL INFORMATION</b>	
Budgetary Comparison Schedule – Operating Fund .....	Page 16

# DELONG & BROWER P.C.

CERTIFIED PUBLIC ACCOUNTANTS ■ FINANCIAL CONSULTANTS

## INDEPENDENT AUDITOR'S REPORT

Holland, Michigan  
November 4, 2005

Library Board  
Saugatuck-Douglas District Library

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Saugatuck-Douglas District Library as of and for the year ended June 30, 2005, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards and the standards generally accepted in the United States of America applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Saugatuck-Douglas District Library as of June 30, 2005 and the respective changes in financial position, thereof, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 2 through 3 and 16 are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Saugatuck-Douglas District Library's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

DELONG & BROWER, P.C.

  
Certified Public Accountants

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the Saugatuck-Douglas District Library (the "Library"), we offer readers of the Library's financial statements this narrative review and analysis of the financial activities for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

### **Financial Highlights**

#### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Library's financial statements. The Library's basic financial statements are comprised of three components:

1. Government-wide statements
2. Fund financial statements, and
3. Notes to the financial statements

This report also contains other supplementary information in addition to the basic financial statements themselves.

#### **Government-Wide Statements**

The statement of net assets presents information on all of the Library's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Library is improving or deteriorating.

The statement of activities presents information showing how the Library's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in past or future fiscal periods (for instance, depreciation expense associated with capital assets).

The government-wide financial statements can be found on pages 4 and 5 of this report.

#### **Fund Financial Statements.**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Library, like other units of state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The activity of the Library is accounted for in governmental funds.

#### **Governmental Funds**

The Library maintains governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenue, expenditures, and changes in fund balances for the operating fund and gift and memorial fund, each of which are major funds for financial reporting purposes as defined by GASB Statement #34.

The Library adopts an annual appropriated budget for the operating fund. A budgetary comparison statement has been provided herein to demonstrate compliance with that budget.

The basic governmental fund financial statements can be found on pages 6 through 9 of this report.

### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the Library's financial statements. The notes to the financial statements can be found on pages 10 through 14 of this report.

### **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This is limited to this management discussion and analysis and the budgetary comparison schedule found on page 16 of this report.

### **Economic Factor and Next Year's Budgets and Rates**

The following factors were considered in preparing the Library's budget for the 2005-2006 fiscal year.

Amounts of anticipated grants and contributions will be reduced because fund raising is more challenging.

### **Financial Analysis of the Government's Funds**

As of the end of the current fiscal year the combined fund balance of \$105,304 reflects a decrease of \$10,417 from the previous year; a decrease of 9%. This decrease was due mainly to increased wage expenditures.

The Library's primary source of revenue is from property taxes, representing 64% of total Operating Fund revenue. Penal fines are the secondary funding source, representing 17% of total Operating Fund revenue.

Salaries and payroll taxes are a significant expense of the Library, representing 57% of total Operating Fund expenditures.

### **Requests for Information**

This financial report is designed to provide a general overview of Library's finances for all those with an interest in the Library's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director, Saugatuck-Douglas District Library, PO Box 789, Douglas, MI 49406-0789.

**SAUGATUCK-DOUGLAS DISTRICT LIBRARY  
STATEMENT OF NET ASSETS  
JUNE 30, 2005**

	<u><b>Governmental Activities</b></u>
<b>ASSETS</b>	
Cash in Bank	
Checking Account	\$ 62,024
Investments	42,288
Accounts Receivable	7,879
Due From State	2,598
Capital Assets less Accumulated Depreciation of \$182,009	<u>326,602</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 441,391</u></u>
 <b>LIABILITIES AND NET ASSETS</b>	
<b>LIABILITIES</b>	
Accounts Payable	\$ 7,793
Payroll Taxes Payable	<u>1,692</u>
 <b>Total Liabilities</b>	<u>9,485</u>
 <b>NET ASSETS</b>	
Investment in Capital Assets	326,602
Unrestricted	<u>105,304</u>
 <b>Total Net Assets</b>	<u>431,906</u>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 441,391</u></u>

The accompanying notes are an integral part of these statements.

**SAUGATUCK-DOUGLAS DISTRICT LIBRARY  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2005**

FUNCTIONS/PROGRAMS	Program Revenues			Governmental Activities
	Expenses	Charges for Services	Operating Grants/ Contributions	Net (Expense) Revenue and Changes in Net Assets
Governmental Activities:				
Programs	\$ 146,105	\$ -	\$ -	\$ (146,105)
General and Administrative	65,835	-	5,695	(60,140)
Depreciation (Unallocated)	48,626	-	-	(48,626)
Total Governmental Activities	<u>\$ 260,566</u>	<u>\$ -</u>	<u>\$ 5,695</u>	<u>\$ (254,871)</u>
General Revenues:				
Property Taxes, Levied for General Purposes				147,466
Penal Fines				54,630
State Sources				5,202
Interest and Investment Earnings				1,149
Contributions				15,136
Other				16,563
Total General Revenues				<u>240,146</u>
Change in Net Assets				(14,725)
Net Assets - Beginning of Year				<u>446,631</u>
Net Assets - End of Year				<u>\$ 431,906</u>

The accompanying notes are an integral part of these statements.



**SAUGATUCK-DOUGLAS DISTRICT LIBRARY  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2005**

	<u>Operating</u> <u>Fund</u>	<u>Gift</u> <u>and</u> <u>Memorial</u> <u>Fund</u>	<u>Total</u> <u>(Memorandum</u> <u>Only)</u>
<b>ASSETS</b>			
Cash in Bank			
Checking Account	\$ 57,348	\$ 4,676	\$ 62,024
Investments	42,288	-	42,288
Accounts Receivable	7,879	-	7,879
Due From State	2,598	-	2,598
	<hr/>		
<b>TOTAL ASSETS</b>	<b>\$ 110,113</b>	<b>\$ 4,676</b>	<b>\$ 114,789</b>
	<hr/>		
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ 7,793	\$ -	\$ 7,793
Payroll Taxes Payable	1,692	-	1,692
	<hr/>		
<b>Total Liabilities</b>	<b>9,485</b>	<b>-</b>	<b>9,485</b>
	<hr/>		
<b>FUND BALANCES</b>			
Unrestricted			
Undesignated Available for General Activities	100,628	4,676	105,304
	<hr/>		
<b>Total Fund Balances</b>	<b>100,628</b>	<b>4,676</b>	<b>105,304</b>
	<hr/>		
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 110,113</b>	<b>\$ 4,676</b>	<b>\$ 114,789</b>
	<hr/>		

The accompanying notes are an integral part of these statements.

**SAUGATUCK-DOUGLAS DISTRICT LIBRARY**  
**RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO NET ASSETS**  
**JUNE 30, 2005**

<b>TOTAL FUND BALANCES - GOVERNMENTAL FUNDS</b>	\$ 105,304
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Amounts reported for governmental activities in the Statement of  
Net Assets are different because:

Capital assets used in governmental activities are not financial  
resources and are not reported in the funds:

The cost of capitalized assets is	\$ 508,611	
Accumulated depreciation is	<u>(182,009)</u>	
		326,602

<b>TOTAL NET ASSETS</b>	<hr/> <b>\$ 431,906</b> <hr/>
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The accompanying notes are an integral part of these statements.

**SAUGATUCK-DOUGLAS DISTRICT LIBRARY  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2005**

	<u>Operating</u> <u>Fund</u>	<u>Gift and</u> <u>Memorial</u> <u>Fund</u>	<u>Total</u> <u>(Memorandum</u> <u>Only)</u>
<b>REVENUE</b>			
Local Sources			
Property Taxes	\$ 147,466	\$ -	\$ 147,466
Penal Fines	38,734	-	38,734
Service Fees	18,913	-	18,913
Interest	1,052	97	1,149
Contributions	592	14,544	15,136
Other	13,546	-	13,546
Grants	5,695	-	5,695
State Sources	5,202	-	5,202
<b>Total Revenue</b>	<b>231,200</b>	<b>14,641</b>	<b>245,841</b>
<b>EXPENDITURES</b>			
Salaries, Wages and Payroll Taxes	147,354	-	147,354
Employee Benefits	3,684	-	3,684
Office Supplies	8,278	-	8,278
Books	13,747	-	13,747
Periodicals and Newspapers	3,357	-	3,357
Audio/Visual and Non-Print Material	15,343	-	15,343
Dues	5,153	-	5,153
Programs	7,504	-	7,504
Travel and Conferences	1,536	-	1,536
Insurance	5,265	-	5,265
Utilities	6,065	-	6,065
Repairs and Maintenance	7,029	-	7,029
Advertising	1,986	-	1,986
Audit	3,547	-	3,547
Professional Fees	594	-	594
Computer Services	7,425	-	7,425
Miscellaneous	3,073	-	3,073
Capital Outlay	15,318	-	15,318
<b>Total Expenditures</b>	<b>256,258</b>	<b>-</b>	<b>256,258</b>
<b>EXCESS (DEFICIT) OF REVENUE OVER EXPENDITURES</b>	<b>(25,058)</b>	<b>14,641</b>	<b>(10,417)</b>
<b>OTHER SOURCES/(USES)</b>			
Operating Transfers	20,668	(20,668)	-
<b>DEFICIT OF REVENUE OVER EXPENDITURES AND OTHER USES</b>	<b>(4,390)</b>	<b>(6,027)</b>	<b>(10,417)</b>
<b>FUND BALANCE - JULY 1, 2004</b>	<b>105,018</b>	<b>10,703</b>	<b>115,721</b>
<b>FUND BALANCE - JUNE 30, 2005</b>	<b>\$ 100,628</b>	<b>\$ 4,676</b>	<b>\$ 105,304</b>

The accompanying notes are an integral part of these statements.

**SAUGATUCK-DOUGLAS DISTRICT LIBRARY**  
**RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2005**

**NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS** **\$ (10,417)**

Amounts reported for governmental activities in the Statement of  
Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement  
of Activities, these costs are allocated over their estimated useful lives  
as depreciation.

Depreciation Expense	\$ (29,686)	
Capital Outlay	<u>15,318</u>	
		(14,368)

Governmental funds report purchase of books and material as expenditures;  
in the Statement of Activities, these costs are allocated over their estimated  
useful lives as depreciation

Depreciation Expense	\$ (18,940)	
Capital Outlay	<u>29,000</u>	
		<u>10,060</u>

**CHANGE IN NET ASSETS** **(14,725)**

**BEGINNING NET ASSETS** **446,631**

**ENDING NET ASSETS** **\$ 431,906**

The accompanying notes are an integral part of these statements.

**SAUGATUCK-DOUGLAS DISTRICT LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**NOTE 1: General Statement**

The Saugatuck-Douglas District Library is a library created by the following governmental units - City of Saugatuck, Village of Douglas and Saugatuck Township. In addition, through contractual arrangements, it also serves Laketown Township and Manlius Township. All of the above are located in Allegan County, Michigan.

The Library is governed by a library board consisting of six members, including a president, vice-president, secretary and treasurer.

**NOTE 2: Summary of Significant Accounting Policies**

The accounting policies of Saugatuck-Douglas District Library (the "Library") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Library.

**Reporting Entity**

The Saugatuck-Douglas District Library is the lowest level of government which has oversight responsibility and control over all activities related to libraries in Douglas. The library receives funding from local and state government sources and must comply with the concomitant requirements of these funding source entities. However, the Library is not included in any other governmental "reporting entity" as defined in NCGA Statement 3 since Library Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

**District-Wide and Fund Financial Statements**

The district-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the district's government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenditures of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**SAUGATUCK-DOUGLAS DISTRICT LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**NOTE 2: Summary of Significant Accounting Policies (Continued)**

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

**District-Wide Statements** - The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

**Fund-Based Statements** - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and therefore have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

The Library reports the following major governmental fund:

Operating Fund - The Operating Fund is used to account for all Library resources and expenditures except for those required to be accounted for in another fund.

The Library reports the following non-major governmental fund:

Gift and Memorial Fund - This fund is used to record contributions and support for the general operation of the Library.

**Assets, Liabilities, and Net Assets or Equity**

**Cash and Investments**

Cash and investments include certificates of deposit. Investments are stated at fair value.

**SAUGATUCK-DOUGLAS DISTRICT LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005**

**NOTE 2: Summary of Significant Accounting Policies (Continued)**

**Capital Assets**

Capital assets, which include leasehold improvements, equipment, and library materials are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of 1 year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extended asset life are not capitalized.

The Library does not have infrastructure type assets.

Leasehold Improvements, equipment, and books are depreciated using the straight-line method over the following useful lives:

Leasehold Improvements	20 years
Furniture and other equipment	5-20 years
Books and other materials	5-10 years

**Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Comparative Data/Reclassifications**

Comparative data is not included in the Library's financial statements.

**NOTE 3: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and State law for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the library to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits districts to amend its budgets during the year. There were no significant amendments during the year.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year end. The commitments will be reappropriated and honored during the subsequent year.

**SAUGATUCK-DOUGLAS DISTRICT LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005**

**NOTE 3: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)**

**Excess of Expenditures Over Appropriations in Budgeted Funds**

The Library did not have significant expenditure budget variances.

**Fund Deficits**

The Library has no accumulated fund balance deficits at June 30, 2005.

**NOTE 4: DONATED MATERIALS AND SERVICES**

Donated materials and equipment are reflected, if material, as contributions in the accompanying statements at their estimated values at the date of receipt. No amounts have been reflected in the statements for donated services inasmuch as no objective basis is available to measure the value of such services.

**NOTE 5: INVESTMENTS**

At June 30, 2005 the \$ 42,288 of investments on the balance sheet is represented by certificates of deposit, which are covered by federal depository insurance. The carrying value of the investments approximates the market value at the balance sheet date.

Certificates of deposit at financial institutions amounted to \$ 42,288 on June 30, 2005 as follows:

<u>Bank</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Value</u>
Chemical Bank Shoreline	02/26/2006	2.96%	\$ 10,050
Chemical Bank Shoreline	07/26/2006	3.20%	10,054
Macatawa Bank	05/03/2006	3.20%	<u>22,184</u>
Total			<u>\$ 42,288</u>

**NOTE 6: LEASE OF FACILITIES**

The Library leases its facilities from the Village of Douglas for a nominal fee. The lease is dated November 2, 1992 and runs until November 2, 2012. The lease is paid through November 2, 2012.



**SAUGATUCK-DOUGLAS DISTRICT LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**NOTE 7: EXPENDITURES IN EXCESS OF BUDGET**

Uniform Accounting and Budgeting Act, P.A. 2 of 1968, as amended, requires that expenditures shall not be in excess of the amount budgeted.

During the year ended June 30, 2005, the Library incurred expenditures in excess of budget as follows:

	<u>Amended</u> <u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating Funds –			
Employee Benefits	\$ -	\$ 3,684	\$ 3,684
Periodicals and Newspapers	1,500	3,357	1,857
Programs	6,500	7,504	1,004
Travel and Conferences	1,350	1,536	186
Insurance	5,054	5,265	211
Audit	2,400	3,547	1,147
Professional Fees	-	594	594
Miscellaneous	2,500	3,073	573

**NOTE 8: CAPITAL ASSETS**

Capital Asset activity of the Library's governmental activities was as follows:

	<u>Balance</u> <u>July 1, 2004</u>	<u>Additions</u>	<u>Disposals and</u> <u>Adjustments</u>	<u>Balance</u> <u>June 30, 2005</u>
Assets not being depreciated				
Artwork	\$ 11,122	\$ 600	\$ -	\$ 11,722
Subtotal	11,122	600	-	11,722
Capital assets being depreciated:				
Leasehold Improvements	171,630	11,857	-	183,487
Furniture and fixtures	80,175	-	-	80,175
Equipment	44,466	2,861	-	47,327
Books and materials	156,900	29,000	-	185,900
Subtotal	453,171	43,718	-	496,889
Accumulated depreciation:				
Leasehold Improvements	49,010	9,073	-	58,083
Furniture and fixtures	19,186	11,453	-	30,639
Equipment	14,127	9,160	-	23,287
Books and materials	51,060	18,940	-	70,000
Subtotal	133,383	48,626	-	182,009
Net capital assets being depreciated	319,788	(4,908)	-	314,880
Net capital assets	\$ 330,910	\$ (4,308)	\$ -	\$ 326,602

Depreciation expense was not charged to activities as the Library considers its assets to impact multiple activities and allocation is not practical.

REQUIRED SUPPLEMENTAL INFORMATION

**SAUGATUCK-DOUGLAS DISTRICT LIBRARY  
REQUIRED SUPPLEMENTAL INFORMATION  
BUDGETARY COMPARISON SCHEDULE - OPERATING FUND  
YEAR ENDED JUNE 30, 2005**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Over (Under) Final Budget</b>
<b>REVENUE</b>				
Local Sources				
Property Taxes	\$ 194,783	\$ 147,403	\$ 147,466	\$ 63
Penal Fines	50,000	30,000	38,734	8,734
Service Fees	-	23,010	18,913	(4,097)
Interest	1,000	1,000	1,052	52
Contributions	-	17,500	592	(16,908)
Other	8,500	8,500	13,546	5,046
Grants	6,000	35,000	5,695	(29,305)
State Sources	4,000	4,000	5,202	1,202
<b>Total Revenue</b>	<b>264,283</b>	<b>266,413</b>	<b>231,200</b>	<b>(35,213)</b>
<b>EXPENDITURES</b>				
Salaries, Wages and Payroll Taxes	157,360	157,360	147,354	10,006
Employee Benefits	-	-	3,684	(3,684)
Office Supplies	14,500	17,500	8,278	9,222
Books	21,000	21,000	13,747	7,253
Periodicals and Newspapers	1,500	1,500	3,357	(1,857)
Audio/Visual and Non-Print Material	13,000	19,900	15,343	4,557
Dues	5,000	6,650	5,153	1,497
Programs	5,500	6,500	7,504	(1,004)
Travel and Conferences	500	1,350	1,536	(186)
Insurance	5,400	5,054	5,265	(211)
Utilities	8,700	8,760	6,065	2,695
Repairs and Maintenance	6,500	8,500	7,029	1,471
Advertising	1,000	2,000	1,986	14
Audit	2,400	2,400	3,547	(1,147)
Professional Fees	-	-	594	(594)
Computer Services	14,000	13,000	7,425	5,575
Miscellaneous	1,500	2,500	3,073	(573)
Capital Outlay	46,423	32,346	15,318	17,028
<b>Total Expenditures</b>	<b>304,283</b>	<b>306,320</b>	<b>256,258</b>	<b>50,062</b>
<b>DEFICIT OF REVENUES OVER EXPENDITURES</b>	<b>(40,000)</b>	<b>(39,907)</b>	<b>(25,058)</b>	<b>14,849</b>
<b>OTHER SOURCES/(USES)</b>				
Operating Transfers	40,000	40,000	20,668	(19,332)
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES AND OTHER SOURCES/(USES)</b>	<b>\$ -</b>	<b>\$ 93</b>	<b>\$ (4,390)</b>	<b>\$ (4,483)</b>

# DELONG & BROWER P.C.

CERTIFIED PUBLIC ACCOUNTANTS ■ FINANCIAL CONSULTANTS

RECEIVED  
DEPT. OF TREASURY

NOV 23 2005

November 4, 2005

## LOCAL AUDIT & FINANCE DIV.

Board of Directors  
Saugatuck-Douglas District Library

In connection with our audit of the books and records of the Saugatuck-Douglas District Library at June 30, 2005, we wish to make the following comments and recommendations:

1. During the fiscal year ended June 30, 2005 there were expenditures in excess of the amount budgeted for various accounts. To comply with PA 2 of 1968 Uniform Accounting and Budgeting Act, we recommend budget figures be reviewed periodically and amended as needed to adjust for changes during the year.
2. During our review of bank reconciliations we noted that there were many old outstanding checks existing in bank accounts. A more accurate reflection of cash available for use will be reflected if outstanding items are monitored and investigated periodically. We recommend that the list of outstanding items in each bank account be reviewed by management and the board. In some instances the outstanding amounts will need to be submitted to the "Unclaimed Property Division". For more information you may access [www.michigan.gov/treasury](http://www.michigan.gov/treasury), *Unclaimed Property Filing Requirements*. We are available for additional assistance if needed.

We have once again appreciated the opportunity to work with individuals who are committed to Saugatuck-Douglas District Library and its patrons. The majority of the recommendations made in our last management letter have been successfully implemented.

Respectively submitted,

DELONG & BROWER, P.C.



Certified Public Accountants